

Testimony Submitted before the Labor and Public Employee Committee
March 8, 2012

Re: *SB 259: An Act Establishing the Connecticut Healthcare Partnership*

Good morning Senator Prague, Representative Zalaski and members of the Labor and Public Employee Committee. My name is Marghie Giuliano. I am a pharmacist and Executive Vice President of the Connecticut Pharmacists Association, a professional organization representing close to 1,000 pharmacists in the state.

I am submitting testimony to **strongly oppose** SB 259: An Act Establishing the Connecticut Healthcare Partnership.

This proposed legislation would offer the state employee health plan to non-state public employees, municipal-related employees, employees of small employers and employees of nonprofit employers as well as their retirees.

This bill is of grave concern to the small independent pharmacy owners. As you know, pharmacists have been extremely outspoken regarding the adverse impact that the state employee plan is having on their businesses. Their customers have also written numerous letters to the Comptroller, legislators and to legislative leadership regarding this issue. Consumers continue to want to have the choice of where they get their prescriptions filled. This legislation would surely assist in closing businesses at a time when the state is emphasizing job creation to increase the state revenue base.

While state employees reside in every town, they are not heavily clustered in any one town. That is why some of the pharmacies accepted the state employee plan. Expanding this plan to municipalities will turn the key for many small pharmacies. We are talking about the fire department, the police, public works, the boards of education and all members of their families – these employee groups are the heart of the communities that independent pharmacy owners have faithfully served for years. The degree that this will impact their already tenuous business viability is not able to be calculated at this time.

Currently, of the pharmacies that accept the state employee prescription benefit, only 20 of them are independent pharmacies. The others are CVS or grocery store pharmacies and big box stores like WalMart where prescriptions are treated like coupons to get people into their stores. Even Walgreens and Rite Aid rejected the reimbursement offered by their competitor CVS/Caremark.

The driving force behind our continued concern remains the reimbursement that is being offered to the pharmacies by CVS/Caremark. Independent pharmacies do not have the same advantages in the distribution system that the chain pharmacies have. Drugs come from manufacturers and are sent to wholesalers and then to the pharmacy. At each distribution point there is an added layer of cost incurred that gets passed on to the pharmacy purchasing the drugs. Chain pharmacies are so large that they own their own wholesalers. So, they avoid one layer of these additional costs entirely.

The reimbursement that CVS/Caremark is offering to other pharmacies as part of the state employee prescription plan is at an even deeper discount that is afforded to "mail order" facilities such as CVS/Caremark, Express Scripts and Medco. This level of discount is even prohibitive to the chains that do not own a mail order company such as Rite Aid and Walgreens. No community pharmacy can afford to do business at this price.

The fallout from the state employee plan is just starting to be felt. Now that a full 90-day cycle has been completed, pharmacies are evaluating the impact this has had on their business and it is my understanding that a couple of pharmacies have decided to sell/close their stores.

Pharmacies that have lost their state employee business are surviving thanks to the fact that Walgreens ended their relationship with Express Scripts. The movement of prescriptions from Walgreens to the independents has helped them through this difficult period – **but it is not the solution.**

We respectfully request the following:

1. Before any thought of offering this plan to others is considered, we actually take a look and see what kind of savings have been elicited from the state employee health plan to date. It has been in effect since October 1, 2011. Our pharmacies know what it has done to them. Let's ask the state how cost-effective it has been for them.
2. While we appreciate the fact that the administration allows the pharmacies the choice to participate in the state employee plan, we ask that before this plan is expanded and offered to others, **a fair reimbursement is negotiated by the State in collaboration with the CPA, and with CVS/Caremark, and offered to the independent pharmacies** so they may compete in an equitable playing field and continue to serve their communities.

Thank you for your continued attention to this issue.